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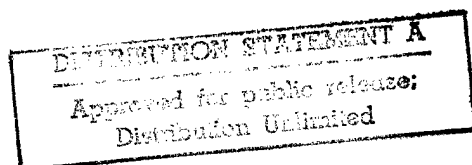
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14 September 1983

# East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2447



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14 September 1983

# EAST EUROPE REPORT

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2447

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HUNGARIAN-ROMANIAN ECONOMIC COOPERATION DESCRIBED

Budapest FIGYELO in Hungarian No 33, 18 Aug 83 p 10

[Article by Dr R. M.: "Hungarian-Romanian Economic Cooperation"]

[Text] The trade turnover between the two countries was only 30 to 40 million rubles in the early 1950's and reached 100 million rubles by 1970. A significant expansion of the trade turnover occurred in the 1970's: in 10 years it increased fivefold and approximated 500 million rubles. The volumes of mutual deliveries rose, and additional industries joined in the trade turnover. This decade there have been changes also in the structure of the trade turnover.

As a result of Romania's industrial development, the structure of our import has shifted increasingly in favor of manufactured goods. Romania did not export any engineering products to Hungary in the early 1950's. The proportion of engineering products, including industrial consumer goods made by engineering, reached 50 percent by 1975. We were still importing 200,000 cubic meters of lumber a year in the 1950's. This volume gradually declined and then ceased entirely by the early 1980's. Instead of lumber we are now importing furniture from Romania, in a growing volume and ever-wider assortment.

The volume of trade showed strong annual fluctuations in recent years. In 1979 the turnover was 45 percent higher than in 1976, then in 1981 it dropped by more than 10 percent. The average annual growth rate of the trade turnover between the two countries during the investigated period was 2 percent. At the same time Hungary's total trade turnover increased at an average rate of 5.9 percent a year, while Romania's total trade turnover increased by 16.2 percent between 1975 and 1980. Thus the total trade turnover of both countries increased at faster rates than their bilateral mutual trade.

Hungary's engineering export in years past was concentrated in a few commodity groups. Machine tools, including modern N/C machine tools, have gained increasing significance. We shipped Romanian enterprises several hundred single-design machines for making light sources, over 40 arc furnaces for steelmaking and two installations for the spiral welding of pipes. Floating cranes made by the Hungarian Shipyard and Crane Factory (Magyar Hajó- és Darugyar) are familiar sights in Romanian ports. In the second half of the 1970's we exported more than 600 buses. The export of buses has ceased, because in the meantime Romania developed its own production of buses.

Without analyzing in detail the structure of Hungarian import, attention should be called to some of its structural characteristics. Romanian capacity

for the production of oil-drilling equipment is outstanding, and product quality is excellent. (Romania is the world's second largest exporter of oil-drilling equipment.) We have become regular importers also for this reason. Our import of railroad freight cars during the investigated period was concentrated essentially on Romania; in 1976-1981 we imported over 10,000 railroad freight cars. Romania was our important provenance also for diesel hydraulic locomotives; their import has ceased due primarily to the domestic market's saturation. Product-assortment swaps in domestic trade and along the border increased to about 40 million rubles in recent years, from 16 million rubles in 1976.

Coordination of the two countries' national economic plans and their long-term trade agreement determine the two countries' trade relations in 1981-1985. The trade agreement calls for a trade turnover of 2.1 billion rubles. During the first two years of the medium-range plan, the trade turnover fell short of the planned volume because the mutual import demands and export possibilities have changed.

Although the trade turnover has become stabilized lately, the intensity of economic relations between the two countries is lower than what would be possible. The communique issued after the 13-14 July 1982 official talks between Gyorgy Lazar, chairman of Council of Ministers of the Hungarian People's Republic, and Constantin Dascalescu, first minister of the Romanian Socialist Republic, referred to this when it pointed out the advantages stemming from the two countries' proximity, and the role of production specialization and cooperation in the trade turnover's expansion. They instructed the appropriate organs of the two countries--primarily their central planning organs, ministries of foreign trade, and branch ministries--to investigate the ways in which the trade turnover between the two countries could be expanded further. A milestone in the implementation of this task has been the signing, by the chairmen of the two countries' central planning organs, of a protocol on additional mutual deliveries that can be targeted for 1983-1985. Realization of this agreement will start already in the 1983 trade turnover. In the talks between the two countries' heads of government it was agreed that the two countries' planning offices and branch ministries would begin the elaboration of proposals for economic and R & D cooperation in the period after 1985.

The main source of developing our economic cooperation can be production specialization and cooperation based on division of labor. We already have a good basis for this in certain sectors of engineering and the chemical industry.

--In the machine-tool industry we have an agreement for specialization in the production of subassemblies and fixtures.

--In the automotive industry significant and promising cooperation developed in the 1970's. Hungarian deliveries concentrated primarily on Raba-MAN engines, and in subsequent years also on rear axles. Romanian deliveries consisted of truck cabs and other subassemblies built on the basis of a MAN license. In the meantime Romania developed its capacity in the automotive industry to build main units, and therefore our export in this commodity group has ceased.

Up to now there has been cooperation in engineering only in the production of a few products. It will be expedient to expand this cooperation in the coming years to include cooperation in the production of cars and computers, and in microelectronics.

Cooperation based on division of labor has developed in several sectors of the chemical industry:

--Within the framework of the C5 fraction and synthetic rubber agreement, the C5 fraction is processed in Romania into isoprene rubber. This agreement will be in force until 1990;

--The agreement on the specialized production and mutual deliveries of plant protectants has been in force for a decade. Although specialized production and mutual deliveries have been expanded, the results to date lag far behind the possibilities, despite the fact that agriculture in both countries needs modern plant protectants in ever greater volumes;

--There is significant cooperation also in the pharmaceutical industry, with specialization in several commodity groups. Mutual deliveries in these commodity groups have increased at a faster rate than the trade turnover;

--In the rubber industry, production specialization and mutual deliveries based on division of labor developed in the commodity groups of industrial rubber goods, and tires.

From an assessment of the results of economic cooperation to date it can be established that there still are many unutilized opportunities to expand the trade turnover, to develop production specialization and cooperation, and to introduce new forms of cooperation.

1014

CSO: 2500/407

U.S. SANCTIONS CAUSE PRODUCTION LOSSES

LD262011 Warsaw PAP in Russian 0900 GMT 26 Aug 83

[Excerpt] Warsaw, 26 Aug--In an article published in the Warsaw Weekly ZYCIE GOSPODARCZE, Mikolaj Renjniak writes about the consequences of the sanctions, introduced by the West and in particular by the United States, against Poland. The losses can be divided into those that can be measured and those that cannot be accurately evaluated (for example the construction of projects which were begun and not completed, restrictions on the transfer of technology, restrictions on scientific cooperation, etc). Concerning measurable losses, Mr R Renjniak writes:

As a result of this, and also as a consequence of the drop in incoming hard currency from exports, we incurred losses in the sphere of imported producer goods in the form of finished goods not produced amounting to 1,125,000,000,000 zloties (13.3 billion dollars), that is, around 17 percent of all industrial production.

It is estimated that in 1983, as a result of the sanctions goods will not be produced amounting to 636 billion zloties (0.5 billion dollars), which amounts to nine percent of planned production.

The consequences of the restrictions were perceptible in livestock production and in the production of agricultural foodstuffs, as a result of a reduction in the import of grain and components, production of domestic poultry dropped by 340,000 tons, that is, a 74 percent drop, and of pork at industrial farms and in specialized farms by 83,000 tons that is, a 17 percent drop, which is equivalent overall to kg of meat per capita per year. The production of eggs also fell by 340 million, that is, by 21 percent.

Restrictions on cocoa bean imports caused a drop in the production of chocolate of 50.8 percent, and in chocolate products of 37.5 percent that is, almost 1.5 kg per capita.

As a result of the sanctions, development has been slowed down in many branches, including, in particular, the production of scientific research equipment, which is based on the import of parts. This is the result of the intensification of control over the export of goods and the transfer of technology by the NATO COCOM [Coordinating Committee on Exports Control].



No new agreement has been signed on scientific cooperation with the United States, which is financed from the M. Skłodowska-Curie fund. This entailed the withdrawal of access for Polish scientists to the modern American laboratories and the reduction of funding for scientific research in Poland by 150 million zloties.

Politically, the sanctions have been a fiasco. But the direct and indirect losses over the years 1981-1983 can be set at from 8.5 to 11.1 billion dollars, the author of the article states. The economic losses incurred can be made good only through a change in the policy of the creditor countries in relation to Poland, through their realistic approach to the solution of our country's payment problems, which could be translated into the extension of the period for loan repayment and a preferential interest charge. Only normal action by the credit market providing the possibility of safeguarding the industry's current import requirements will make it possible to increase exports and to accumulate hard currency funds to open up the prospects for the payment of debts, Rejniak concludes.

American sanctions in relation to Poland have also affected metallurgy. They have caused serious losses, especially in the first 6 months of 1982, which were expressed in a 50 percent drop in Polish metallurgic supplies to the U.S. market. The deprivation of Poland of the status of most favored nation has raised the duties on some Polish metallurgical products from 3-7 to 20 percent of their cost, which in the case of sheet metal, for example, has virtually made its export to that market impossible.

Whereas in 1980 Poland exported around 54,500 tons of steel, it exported in 1981 around 97,000 tons and 17,000 tons in 1982. Last year Poland planned to supply to the United States a total of around 120,000 tons of metallurgical items, but it supplied in fact around 42,000 tons. Poland's losses amount to around 15 to 20 million dollars per year.

CSO: 1803/353

BUSINESS MANAGERS COMMENT ON FEASIBILITY OF ECONOMIC REFORM

Warsaw PRZEGLAD TECHNICZNY in Polish No 22, 29 May 83 pp 8, 9

[Interview with engineer Tadeusz Bok, vice president for production; engineer Jerzy Pawlowski, vice president for technical issues; and Dr. Andrzej Blinkiewicz, senior specialist in the Telephone Equipment Manufacturing Enterprises "Telkom," by Mieczyslaw Komuda in Warsaw: "Let's Not Lose Our Nerve?"; date not given]

[Text] [Question] Your factory, at least theoretically, is independent, self-governing, and self-financing?

A. Blinkiewicz: To the extent that a monopoly can be self-governing.

[Question] Thus, strictly speaking, the economic administration cannot force you to join or make you account for any program such as the resources conservation program. You can introduce such a program for your own use, or you can decide that you are already getting everything you can possibly get from the process of production and from your organization of labor.

J. Pawlowski: Our parent agency, in this case the Ministry of Communication, demands that we draw up such programs.

T. Bok: Independently of whether such a savings program were formally adopted or not, a self-financing enterprise draws its profits by holding down costs. If we use less, we earn more. Savings should result from the operation of economic mechanisms.

A. Blinkiewicz: We can speak of profits from such a program only in the sense that the enterprise will be able to claim credit for it. If there is a program, eventually there will also be a written report. However, everything in our program would have been introduced independently of the Sejm resolution--precisely because of the 3s.

[Question] So how do you evaluate the effectiveness of the government resources conservation program?

J. Pawlowski: I do not see any real benefits deriving from the realization of this program. We implement savings programs every day. This is the basic task of the technical support system. There are fundamental obstacles paralyzing

all actions directed towards greater savings. One of them is the labor shortage, or more exactly, an artificial labor shortage which makes it impossible to demand that employees fulfill their responsibilities towards the enterprise. Every attempt to accomplish this leads to the departure of some employees who leave for enterprises that offer better financial conditions.

[Question] Statements by representatives of the economic administration stress that the reform creates conditions for the independent distribution of the wage fund. You can pay more and demand better work.

J. Pawlowski: It is not that simple. The financial resources of an enterprise are a function of its profits. Because of the tax burdens and the enormous burden of FAZ, profits can be raised either by adjusting the price of our products or by making employees achieve maximum productivity with only a small increase in wages. If we want to live up to the principles of increasing economic efficiency, the mechanism should be such that our productivity increases, but wages do not grow proportionately to the increase in production. They grow a little less. In order for productivity to increase with only a moderate rise in wages, it is necessary to introduce technological progress on a large scale--for example, by adopting new production technologies, which requires people and capital, or by verification of the existing production quotas. The verification of quotas has not been common practice in recent years. But if we really want to raise productivity, it seems that verification is necessary. If, however, attempts at verification are going to be undertaken only by a single enterprise, this enterprise will automatically lose some workers. The workers will go wherever the quotas are lower.

[Question] So we are missing a labor market. What else?

A. Blinkiewicz: This market must be subject to two laws. First, it must be subject to a financial law--whoever pays more gets better people. Secondly, there must be concern for one's place of employment, or, to put it differently, a fear of losing a good employer. If such fear is nonexistent, all financial motivations lose their meaning. The disproportion between the buying power of money and what an enterprise can pay its workers--even theoretically--is too great.

[Question] Two years ago, when we discussed the reform, we expected unemployment.

A. Blinkiewicz: Either the principles of the reform contain many errors, or there are errors in putting them into practice. It was a mistake to allow people to retire earlier. It was also wrong to devalue the zloty to such a degree that we had to raise the wages of the lowest paid workers who otherwise were no longer able to support their families. This led to the decrease in wage differentials, and thus to a decline in the motivation to work among highly qualified people. These errors had catastrophic economic consequences.

[Question] In the case of your enterprise, what were they exactly?

J. Pawlowski: Taking the projected productive capacity as a base measure, approximately 60 percent of our positions are currently staffed.

J. Pawlowski: Another problem arises in connection with the materials needed for production. The materials we introduced into production were allowed only so that we could test a trial sample. Later it turned out that they have non-reproducible characteristics. But we have virtually no means of forcing our suppliers to deliver proper materials. They answer our complaints with the claim that they cannot do otherwise, that they started special production only for us, that they have other buyers who will gladly take everything they make--or, in other words, that we are bothering them. So we have a choice: to import the materials we need--for which we need western currency, or to suspend production, or, finally, to produce from the materials we do receive. We allow only those materials from which, despite everything, it is possible to make the parts we need in conformity with technical standards. Deciding to adopt this last solution, we basically assume from the very beginning that instead of saving, we will waste our manpower and destroy our machinery inventory. The materials we buy require additional sorting work and force us to forego possibilities of automated manufacturing processes. Also, we often must accept the fact that about 40 percent of the materials will have to be rejected. Many flaws in our materials result from sloppy workmanship in production, packing, and transport. We are unable to fight that as well. We must accept it, for if we protest, we will get no materials at all. And in this situation we are supposed to think about cutting costs.

A. Blinkiewicz: Resources conservation is also another way of saying depreciation of fixed assets. The fact that we must select the good materials from the bad involves not only the additional, unproductive employment of workers and the destruction of machines; it also results in the wearing out of tools which are sometimes more expensive than the machines. A tool which should last 10 years sometimes lasts half that time. It is simple--a poor man and a fool buy twice. I would see substantial benefits in the resources conservation program if, on the level of an enterprise, it were to be correlated with similar programs in other enterprises. For example, we could produce in Poland the so-called light silver. But this demands investment in smelting. If our program were not isolated, if it were part of a general strategy, if our suppliers were forced to honor their contracts....

[Question] This would be simply a return to the command system, where administrative means are used to force collaboration among enterprises which might not desire it at all.

J. Pawlowski: If there is no competition in the market, if there is no competition among producers, then despite everything, certain elements of the command system must be used. I believe that there must be orders from above for the delivery of materials and subassemblies, at least in some enterprises, and that the suppliers should be responsible for the quality of their products.

[Question] Is it really the case that economic reform, here and now, is impossible?

A. Blinkiewicz: Theoretically it is possible, in practice it is full of so many holes and limitations that it will not work. In some cases it might even serve as an obstacle to economic growth. As long as proper economic conditions are not created, conditions that are external to the enterprise, to the enterprise, the success of campaigns such as the resources conservation program will remain questionable. I am currently working on sets of microprocessors for our telephone exchanges. We used Polish microprocessors. But their prices are so absurd that using them is an economic problem. The Western microprocessor, the so-called central processing unit, bought from a middleman and with the embargo tribute, costs \$5.50. At present our own microprocessor costs 1,800-2,000 zloty. It pays to buy dollars on the black market for 500 zloty each and to import microprocessors from the West. And I should add that they are much better. The memory, which costs \$11.00, and which we cannot yet produce ourselves, will, when it is made here, cost 9,000 zloty!

[Question] Returning to the problems of a monopoly. You are also a monopoly, you dictate prices and conditions.

J. Pawlowski: But we are an honest monopoly. This year we lowered our prices by approximately 6 percent, even though we did not have to do it.

T. Bok: There is such a thing as a code ethics for the engineer, just as there is a code of medical ethics.

[Question] I doubt whether such concepts as ethics can be used when one speaks of economics, of profits and competition. Let us get back to our voting. Director Bok?

T. Bok: Regardless of the difficulties which were and are piling up, we must consistently stay on the same course. It is necessary to maintain the stability of the reforms institutional framework. One should not surprise enterprises with new rules of the game once the cards have been dealt and the game is in progress.

J. Pawlowski: I believe that the reform is not fully possible right now. I also believe that, while we may modify it for a transitional period or introduce elements of the command system, it should be retained.

[Question] It will be difficult to decide who is a subcontractor and for whom. For example, you are a subcontractor to the Ministry of Communication. If they have trouble with you, they might decide that you should work on command.

A. Blinkiewicz: We have strayed too far from the surrounding world of technology. We have no horizontal links with producers in other socialist countries. In a word, as the managers of an enterprise, we are convinced that the so-called resources conservation program will result in minimal benefits in comparison with the gigantic losses which the enterprise suffers every day because of conditions imposed from outside. The situation is very serious. We will be left with a few old technologies, a used and devastated machinery inventory, and an inefficient workforce. This way we will simply bleed ourselves to death.

12495

CSO: 2600/1137

## PHARMACEUTICAL INDUSTRY COMPLAINTS ON REFORM DISPUTED

Warsaw ZYCIE GOSPODARCZE in Polish No 25, 19 Jun 83 p 16

[Article by Janusz Ostaszewski: "The Reform Hurts Camomile"]

[Text] Only 2 years earlier one could drink valerian without any limit but now one has to limit even that. The production of valerian fell so noticeably that only every sixth nervous person can purchase it. Those with liver ailments will be in trouble too. Only every third lover of fatty sauces will be able to help himself push them through his intestines with the help of boldoline and every fifth will swallow raphacholine for that. We are beginning to lack camomile and all this happens on account of the reform.

Such is the opinion of Zdzislaw Wojza, the director of the association "Herbapol." Herb industry enterprises work according to the "3 S's" principle and there is no possibility to force them to make less profit bearing products--this was explained to the representatives to the Sejm Health and Physical Culture Commission who were deliberating the methods of preventing the catastrophic situation (the proof of correct use of this term follows further on) in drug production. And thus there is no method to buy camomile without any saving force. It is even worse with no profit producing valerian which we will probably need like never before.

Perhaps it would be possible to believe that the reform hurts camomile harvest if it were not for facts which attest that much earlier before the camomile was not loved too much. Of all reasons for decrease in cultivation and in buying up of herbs only atmospheric conditions are not dependent on "Herbapol": irregular principles of contracting, of cultivation which does not bring profit, of lack of professional help for planters, too modest number of warehouses, of drying and processing plants, greediness of the industry which subtracts twice during purchase from the quantity and from the quality when buying a raw material which does not conform to the norm. The rest depends on the method of functioning of Director Wojza, even if the unfortunate 3 S's thwart his designs. And that rest in question is, for instance, such a miserable technical shape of many plants which produce herbal drugs that they have to be shut down (in Lodz and in Wroclaw). Probably it is not due to the reform that for 20 years, save for one branch which produces syrup, not even one plant has been built which could process the fruits of our woods, fields and meadows.

Stanislaw Klos, the vice-minister of chemical and light industry, offered grudges against the reform stating that in the present state of organization in chemistry with the principle of economic reform in force, the needs of health protection could not be satisfied if it were not for operational programs. This reform is terrible! It simply aims at our health and especially so that it does not organize drug production so as to make it unnecessary for a person to shake fearfully with every flu. It interfered, for instance, with production of yarn for dressings from cotton which the branch had by causing a great loss in the workforce in light industry, the liquidation of the third shift; it introduced free Saturdays and finally it was decisive in importing that yarn from abroad. The reform did not allow anybody in the chemistry and light industry branch to come up with a better idea, especially as the entire pharmaceutical field is eager for foreign currency, which is lacking for purchase of ingredients necessary to produce lifesaving drugs.

It is good, therefore, to remind the reform what the general director of the Ministry of Health and Social Welfare, Zdzislaw Szymborski, stated at the session of the Sejm Commission that has just been described: if the drug supply has not yet deteriorated (he said that at the end of April) it is only because we still use last year's reserves and gifts. These sources are about to be depleted and the state of drug supply for the coming two quarters is alarming. This is not an empty threat. He also added that there may be a shortage or lack of not only basic drugs but also those on the lifesaving list.

Maybe the reform will take this into consideration, but it would also be pertinent for the truth to reach more personified addressees. Those addressees who pin the label of enemy of the pharmaceutical industry on the reform.

Not irrelevant is the question which was posed by the delegate Barbara Koziej-Zukowa to the branch representatives: How can one answer the electors' question of why there is no foreign currency for drugs but there is foreign currency for expensive foreign trips? Many such trips--she stated--are probably superfluous in our situation, and it is difficult to disagree with this statement.

What is impossible to agree with is the transfer of the effects of neglect and indolence onto the conditions created by the reform by those responsible for the production of drugs who represent the economic management. It is possible, for instance, to blame somebody other than them for a blunder, such as the neglect of production of infant formula "Bobofruit" only because they were out of imported bottle labels? Or is it the reform that is guilty that the director of the Association of Medical Enterprises, Jakub Moryk, only at the end of April intended to apply for tax relief, for preferences in donations for FAZ and for investing more funds in plants, although he was completely certain of one thing--that the fundamental question is to stay in the operational program. Because this is what radically frees one from all worries and particularly from thinking about what the nearest future will bring. And it would be worthwhile to think about it if only because for every 68

pieces of medical equipment produced in the country, health needs were satisfied only in 20 requests; this has to be taken care of and not necessarily by means of import.

Bioenergy therapist Stanislaw Nardelli performed at the Przemysl stadium five collective seances at which nearly 100,000 people wanted to get cured. Perhaps, I am not mocking the bioenergetics, a few Mr Nardellis will be replaced by the pharmaceutical industry but so far not quite so. Since, however, Mr Nardelli, after subtracting the expenses of organizing the seances, earmarked the money from sale of entry tickets for construction of a swimming pool and a kindergarten in Przemysl, it is possible to suggest that he create a fund for support of national drug production. I would not hesitate to present such a proposal to him if it were not for statements made by the people responsible for production. I do not believe that even the biggest sums would help them.

9971

CSO: 2600/1048



WORK PACE STEADILY IMPROVING IN ENTERPRISES

LD252207 Warsaw PAP in English 2035 GMT 25 Aug 83

[Text] Warsaw, 25 Aug--Everyday reports coming from all regions of Poland show a steadily improving pace of work in numerous enterprises.

Daily production plans are surpassed. The extra production is especially valuable in those industries which work for market supply and agriculture.

Here are some reports by PAP local correspondents: High pace of loading and re-loading is being maintained in the ports of Szczecin and Swinoujscie. Some 24 Polish and foreign ships were docked today.

The "Predom-Polar" works of household equipment in Wroclaw produced 1,150 automatic washing machines and 19 freezers today.

The productivity of construction employees consistently increases. Over 20 enterprises grouped in the Katowice association of general construction enterprises recorded an increase in productivity of some 21.2 percent this year.

Workers in the Silesia steelmill in Rybnik implemented its August targets. The steelmill produced more than a million of enamelled-ware and a considerable number of refrigerators for home market and for export, in August alone.

The "Polsport" factory of sporting goods in Chojnice Bydgojcz Voivodship, also realizes its targets successfully. Almost 70 percent of boats, yachts and canoes produced over here find their way to foreign markets. The factory sold more than 2,600 leisure and sport boats for export last year.

CSO: 2020/67

## BLUE-COLLAR EMPLOYMENT STATUS NOTED

About 316,500 Job Openings

Bydgoszcz GAZETA POMORSKA in Polish 26 Jul 83 pp 1, 2

[PAP communique]

[Text] A record was recently broken in the labor market: 316,000 job openings at enterprises were registered whereas only less than 7,000 persons were seeking employment. About 90 percent of the job openings are a result of the labor turnover; the movement is immense, the directions, however, are away from those desirable. Besides, a considerable share of enterprise job offers do not find justification in either the level of organization or labor productivity. Nonetheless, it is a fact that many enterprises are suffering from a genuine labor shortage. Hired labor has become a factor of production of no less importance than raw and other materials. In view of the complete freedom that enterprises enjoy in shaping the level and structure of the workforce, a battle for workers is raging in the labor market. The one who promises the most attractive conditions often comes out a winner rather than the one who needs workers the most. Under such circumstances, it has been recognized that control over the processes in the labor market is needed during the most difficult period of surmounting the crisis.

In the law on specific legal regulations in the period of overcoming the socio-economic crisis, the Sejm empowered the Council of Ministers to introduce obligatory labor agency service for the duration of the period of transition, that is until the end of 1985, if the council sees it fit. This instrument should be used selectively, on a limited scale, with regard to certain professional groups, areas and economic branches. In general terms, obligatory labor agency service means that, should the need arise, the genuineness of job offers by enterprises will be verified and that certain enterprises in areas with especially acute labor shortage will be able to hire workers with certain most sought-after skills only by permission of or referred by local employment agencies.

This concept certainly does not agree with the legal arrangement to date, which provided for the enterprises themselves to decide how many workers with which skills to hire. It can cause concern among the adherents of the doctrinal purity of economic reform as an attempt to revert to the administrative methods of controlling the labor market. These methods, as one knows, have never worked out in practice. This is why this regulation has been written into law, and this eventuality has been introduced only for the duration of the period of transition,

in expectation that this measure will only be used when it is genuinely warranted by socioeconomic considerations.

However, economic mechanisms which work slower but more efficiently than other methods have the largest role to play in streamlining employment. A change in the procedure of write-offs to the Professional Activization Fund [FAZ] which makes it possible to apply funds economized on reduced employment to wage increases for the rest of employees is one such mechanism. Other instruments of the reform will also be vigorously implemented, including the closing down of inefficiently operating enterprises.

The Council of Ministers has also been empowered to impose, for the duration of the period of transition, a duty on enterprises to employ certain categories of persons referred by labor agencies due to social considerations. This is to include, among others, single mothers, those recovering from illnesses, the handicapped.

The enterprises are not enthusiastic about hiring them even when they meet skill and health requirements. This duty should also concern males evading employment who are referred to enterprises and people leaving correctional institutions. The latter is going to be especially important in the nearest future. Failure to comply with this duty entails the penalty of a fine for the manager or any other person acting on behalf of the enterprise.

#### Possibility of Extending Worktime

Bydgoszcz GAZETA POMORSKA in Polish 27 Jul 83 pp 1, 2

[PAP communique]

[Text] The law on specific legal regulations in the period of surmounting the socioeconomic crisis provides for the opportunity of introducing extended worktime of 8 hours daily and 46 hours weekly in certain enterprises for the duration of the period of transition, until the end of 1985. These are enterprises of fundamental importance to the economy or defense capability of the state, public services and some others. A list of such enterprises will be drawn by the Council of Ministers. This, however, is not to say that in every enterprise the extension of worktime will occur automatically and will affect all employees.

Enterprise managers will have the discretion to extend the worktime up to the limits envisaged by the labor code. They can only make this decision when it is necessary to achieve economic objectives. The extension should first of all include work on free Saturdays, of course, only when the enterprise is adequately supplied with raw and other materials making it possible to keep up continuous production or render services. After all, it would not make any sense to keep people on the job on a free Saturday, if on Monday they will stay idle. A decision on the extension of worktime should not necessarily apply to the entire workforce, it can apply only to certain factory shops or professional groups. This is to be determined by the opportunities and needs of the enterprises, and first of all--by using common sense.

In general terms, this regulation retains, with regard to the worktime, the arrangements which were in effect during the suspension of martial law. At the same time, it has now been stated with emphasis that labor during extended worktime is to be treated as overtime and remunerated accordingly. This did not directly follow from the regulations in effect so far.

At the same time, particular arrangements of remuneration for work done on days off established in certain branches, for example in mining and light industries, which frequently are more favorable, will be preserved. The new law also specifically enumerates categories of employees whose worktime cannot be extended due to social considerations. These categories include pregnant women and those taking care of small children, employees who are minors, persons employed in especially strenuous jobs or in an environment which presents a health hazard, as well as the handicapped of I and II categories.

The reasoning behind the decision to preserve an opportunity for extending the worktime for the duration of the period of transition is obvious. Poland is perhaps the only country in the economic history of the world which indulged in the luxury of increasing free time in a period of acute economic crisis. Free Saturdays are indeed a great and highly appreciated social achievement, but the need to restore normal markets and economic equilibrium in the country is still greater. Hence the social need for the operation of enterprises which can bring about this equilibrium.

However, the utilization of regular working hours is the basic issue. Absence due to all kinds of official leaves causes these hours to shrink by more than 11 percent. This means that about 1.2 million workers daily fail to report to work. Losses which occur due to the workers present on the job being idle and due to the waste of time because of poor organization are no less and perhaps even more sizable, since they include both financial and moral loss.

#### Insufficient Workforce

Opole TRYBUNA OPOLSKA in Polish 27 Jul 83 p 3

[Article by Andrzej Mach]

[Text] There is but a meager handful of companies which do not report the need in new employees. At meetings as well as in private conversations enterprise managers state that the labor shortage, along with the lack of import deliveries is the main constraint on production.

Statistics show this graphically. In our province, enterprises of the socialized sector employ 336,000 persons. In employment agencies, requests for additional 6,616 persons are on file. These people are wanted on the job immediately, about 2,000 of them in industry, 900 in construction and 500 in transportation (mainly on the railroad). I would not exactly harp on that last item, because the personnel situation of PKP [State Polish Railways] is especially difficult. But what about the rest of the sectors? By the way, employment agencies are not at all fully knowledgeable about personnel needs. This is due to the fact that enterprises try to bring in new employees on their own, resorting frequently to methods practiced in sports, especially in soccer.

However, the bribing of players does not involve this kind of money. In this environment, the valuable regulation, stating that an employee who has abandoned his job should qualify for a salary two notches below the previous pay scales, has become a dead letter of the law. In this way, the labor market has been stripped barren. The current number of people seeking employment through all the employment agencies of our region is only 18, which testifies to the situation. Let us compare: the enterprises have appetites for more than 6,500 persons (in reality, this statistic is at least three times greater), and there are only 18 candidates.

In this situation, one would think that plants and other enterprises require primarily skilled workers in particular professions. However, measures are taken to bring in labor in general. Very interesting research was done in this field by the Mikolaj Kopernik University in Torun (the results were published by WIADOMOSCI STATYSTYCZNE, No 6). It has been proven scientifically that the overcoming of the "skill barrier" rather than the employment barrier is the main stimulator of increases in labor productivity in industry and construction. Inasmuch as in construction the process of professional adaptation is relatively simple, in industries such as the machine tool industry, electronic, chemical or precision mechanics the influx of low-skilled labor causes tremendous losses, manifested in a fall in labor productivity and quality. Besides, it adversely affects the general environment of an enterprise.

Indeed, are there too few of us? It follows from every pronouncement made by those in charge of implementing the economic reform that we have considerable excess employment. At the same time, enterprise managers on every possible occasion quote how many workers they lack. It is the easiest way out to hire new personnel. Though these people are not fully trained for the job, they are going to do at least something and there will be some change for the better in the enterprise. Approaching problems of that magnitude on the basis of the "at least something" principle is, in my opinion, the worst hurdle in the way of economic reforms.

However, managers are not the only ones responsible for this hurdle. The director of a large enterprise in our province explained this to me in more or less the following terms, while pointing out on this occasion the expensive equipment which was idle due to the labor shortage: it does not pay to reduce production costs, because the enterprise will get a minor share of the reductions, whereas the entire balance will be taken by fiscal institutions. Therefore, it does not pay to streamline employment, to remove those not contributing to the job and so on. I listened to that all as I would to the assurances of the 40th U.S. president of his fondness for peace everlasting. I thought that this manager, after all a friend of mine, was simply pulling my leg. But this was not the case. The manager of the Polar Mechanized House Equipment Works, assailed by POLITYKA (No 30) over the shortage of refrigerators and washing machines repeated exactly this. He said verbatim: "...for Polar, cost reduction does not pay. Cost reduction increases profitability. Should we reduce costs by, for example, 100 million zlotys (for example, by reducing employment in part. A.M.), the enterprise will hang on to 10 million. Who is going to slave and sweat for these few pennies, if costs are below sales prices anyway...."

So, something else does not tick in this arrangement, not just the reluctance of managers to place an employment barrier at adequate qualitative and quantitative levels. The issue of mentality of both the managers and the rank and file is also involved. People still strive for desk jobs, though the pay is lower. Recently, in a radio report many people working outside their community of residence were interviewed. They were bookkeepers, salesgirls, janitors, porters, ladies putting stamps on receipts. They commute to their jobs in the city, though they can do exactly the same--and for the same salary!--in their own parishes. However, in rural areas janitorial work or filling out "receivable-payable" forms is regarded as social degradation. That same job in the "provincial seat" enable the person in his social milieu. Why? One cannot get it through his head, and sociologists are not exactly in a hurry to explain.

Therefore, the wandering of peoples goes on, requests for new workers addressed to employment agencies are turned out and our classified advertisements department is making a handsome living, due to, among other things, advertisements of the type "will hire immediately," Increases in production, if any at all, are small and paid for by tremendous social costs.

Recently, I have visited several enterprises in Opole. In the downtown, a sidewalk was under construction. Concrete plates were furnished, and sand was available. Five persons took up the job. This is to say that while three of them worked two others looked on. Later on they took over and it went on like that for several hours, except for the lunch break. Though my window, I can see a large construction site. Materials are certainly available, because they are stored in several stacks. People also happen occasionally. They would bum around and chat. Later they would disappear for an hour. Somehow one cannot see any progress in construction. In a large office, customers are waiting in line, waiting obediently, in a single file. Those in the rooms are working slowly and taking breaks. As soon as the radio turned on full volume it blasts out "Josie, I am not going to forgive you that night," for a better part of a quarter no work whatsoever is done, because the employees are discussing their latest experiences. This must be kept out of the earshot of a waiting retired woman, lest she be corrupted. In a metal-processing enterprise, there is a traditional competition over who will punch out first. The record of the first shift is 35 seconds, this is to say that the card was punched at 14 hours and 35 seconds. I would not know how one can sweep his workplace, wash up and change into street clothes within 35 seconds. However, even the worst slowpokes are out of the gate which is 50 meters away from the shop at the very worst in 10 minutes after the knocking-off time. In a store, which used to be self-service, three salesgirls crowd at the same counter. One hands out the merchandise, one handles the money, the third one is idle. An importunate person asks why the third salesgirl should not hand out the merchandise. The answer is, if you don't like it in the line, you can go elsewhere. The catch is that elsewhere it is for all the world like it is here.

These may be somewhat exaggerated observations, but then just a little bit so. Generally, we are not too few. However, despite the reform those who get paid for doing a job are too few. Still there are far too many of those who go to the cashier's window convinced that increasing amounts of cash should rightly be theirs just for being present on the job. When I spat it all out in front

of a person who has changed colors to those of an ideologue of the reform, he retorted that not everything in the reform has been worked out properly, that changes are needed. Indeed so. However, Minister Baka would not come to Opole and arrange people in their workplaces in every enterprise. Someone else is already being paid for that.

Meanwhile, we can still reach for an argument: I haven't got enough people.

9761

CSO: 2600/1184

## PROSPECTS FOR INCREASING COAL SUPPLY DISCUSSED

Bucharest STIINTA SI TEHNICA in Romanian May 83 pp 17-18

[Article by Nicolae Ticleanu: "Geological Prospecting for Increasing the Coal-Producing Potential in Romania"]

[Exceprts] The Romanian Communist Party has worked out its own strategy for the purpose of achieving energy independence during this decade. One of the central objectives of this strategy is the intensification of geological prospecting for the identification and introduction into the economy of new reserves of fossile fuels. Also, emphasis is being placed on increasing the role of coal in obtaining thermoelectric power, replacing hydrocarbons.

An evaluation of the potential for energy coals (energy mineral coal, brown coal and lignite) in Romania reveals that the reserves, that is the entire quantity of coal which can be mined by mining techniques known and under conditions of economic profitability, represent only 10 percent of the resources, identified, that is, all the quantities of coal calculated or believed to exist in the known zones. Thus, the coal reserves of Romania are sufficient for a period of 50-60 years, on the condition that the present coefficient of increase of annual production is taken into consideration. This period of time constitutes the level of assurance of sufficient reserves to make it possible, from the technological and economic point of view, to transform a large part of the resources identified in the reserves and to increase the total amount of resources, even before the end of the century.

Recently, in the Institute of Geology and Geophysics in Bucharest, a collective of researchers drew up a forecast study on the coal situation in Romania, giving prospects for each zone, based on the processing and interpretation of a large volume of raw data.

The transformation of the resources identified in the reserves will be possible in the near future thanks to the rapid evolution of the technology of mining methods. At present, experiments are underway in Romania in regard to a process for the underground gasification of lignite and it will be possible, by 1990, to utilize the resulting gases in obtaining thermoelectric energy or in the chemical industry.



Another aspect of the development of extraction technology is the continual improvement of underground drying methods, as well as the reduction of the cost of this type of work, ensuring the profitability of the mining of a large quantity of coal which has been immobilized as a result of severe hydro-geological conditions.

As for increasing the potential of energy coals, the principal future zone for lignite is Oltenia which possesses 92 percent of the classifiable reserves and 84 percent of the predicted reserves of the country. The execution of drilling probes has begun in the central and southern parts of Oltenia for the purpose of determining the surface and deep development of coal-bearing formations. The preliminary results of these drillings reveal that the coal covers a wide area, almost the entire surface examined. Some sectors have several strata of coal upto 2 meters thick, located in depths of upto 200 meters, which can be easily mined.

In the coming years, in addition to continuing the drilling probes, we will intensify detailed prospecting work for the purpose of bringing new coal deposits into the economy. At present, prospecting is being executed in the Jupinesti-Musculesti, Isalnita-Mihaita, Bailesti and other areas.

The large number of strata of coal, the rarity of characteristic fossils and the lithological uniformity of the coal formations in Oltenia present a problem of great practical importance: the correlation of the strata of carbon. The correct solution of this problem is reflected in the precision of the calculation of coal reserves. The most modern methods of scientific research (paleontological, petrographic and geochemical methods) are used to determine an appropriate measure of correlation. Another aspect of scientific research, especially, in relation to the coal in Oltenia, is the reconstituting of vegetable fossile groupings which served as a basis for the formation of the coals, a fact with practical implications in evaluating the possibilities of the existence of the coal in formations of another age.

In the western party of the country, the Lugoș basin, the Borod basin and the Sylvania basin provide prospects for increasing the lignite potential. Although they are smaller, the coal formations in Tara Birsei also present prospects for increasing reserves.

There are lignite prospects in the sub-Carpathian region in Wallachia. Also in Wallachia, but in the platform zone, two new zones have been discovered by geological prospecting: Bucharest S V and Scornicesti, where the coal strata are 2-3 meters thick and the coal appears at depths of 300-500 meters and 500-700 meters, respectively. According to current information, it is believed that there is a possibility that there might be lignite deposits in the eastern and southern part of the hollow of Transylvania, in the Oas country and in Moldavia.

Since the lignite deposits are close to the surface, they can also be studied with the aid of new geophysical methods such as seismometric methods, which present the advantage of rapid investigation, at a low cost compared to prospecting by drilling.

In general, the reserves of brown coal are small, with the most important reserves being found in the northwestern part of the hollow of Transylvania and in the Comanesti basin. Complex geological studies carried out recently in both zones outlined a few possible perimeters. Also, as a result of the same complex geological studies in the southeastern part of the hollow of Transylvania, it has been able to form the hypothesis of the existence of accumulations of brown coal in deposits from the Sarmatian Age.

In addition to concern for the geological prospecting of energy coals for the extension of the raw material base, special attention is also being given to increasing the potential of coking coal, which is needed in the iron and steel industry. Although modest compared with those of energy coals, the identified resources and reserves of coking coal, reported in the current annual production figures, represents a lower level of assurance than that of energy coals and some of the needs of the iron and steel industry are still being satisfied through import.

The prospects for increasing the potential of coking coals are linked with the prospecting of the geological structure of the Resita and Sirinia basins in the Banat, the intensification of mining activities and the investigation of productive formations, in the entire depth of their development. In the Petrosani basin, the potential for coking coal and energy coal depends less on geological prospecting than on the rational arrangement of protective structures for the surface mines and the discovery of extraction technologies which will make the mining of thin strata profitable.

In the geological evolution of the territory of Romania there have been some important moments when conditions necessary for the formation of coal have existed: a climate fostering the development of a rich vegetation in extensive swamps, a tectonic system which has permitted the accumulation of large quantities of vegetable mass and its subsequent transformation into coal. A knowledge of these principal moments of the formation of coal permits us to estimate that, through the intensification and continued modernization of geological prospecting activity, prospects exist for the appearance of new and large deposits of coal in the sub-Carpathian areas of Moldavia and Wallachia, in the Romanian plains, in the basin in the western part of the country, as well as in the hollow of Transylvania, which will lead to an increase in the level of assurance of the reserves needed for the uninterrupted development of the economy of Socialist Romania.

CSO: 2700/295

## BRIEFS

**YOUNG BULLS POISONED**--An article by doctors Toma Modran and Nicolae Iliescu, from the Dolj Verterinary Health Inspectorate, published in Bucharest REVISTA DE CRESTEREA ANIMALELOR in Romanian June 1983 pp 39-40, reports on cases of cyanhydric poisoning of young bulls in Dolj County as a result of grazing on the Sorghum Halepense plant (Johnson grass) under certain atmospheric conditions. The plant had been growing rapidly among the grain crops, on the edge of the roads and alongside the irrigation canals. "in the fall of 1982, 1200 and 700 animals, respectively, in units B and D for raising and fattening young bulls in the southern part of Dolj County grazed in the nearby fields of wheat stubble and corn lands. In September and the beginning of October, the weather was very hot, followed by an abrupt drop in temperatures and abundant rainfall. Because of the atmospheric disturbances, the animals broke out of their pens and scattered over the pasture. In this relatively short period (about 18 hours) serious illnesses with symptoms of acute and sudden poisoning appeared. In most cases, death occurred soon after the appearance of the clinical symptoms (10-30 minutes). There were 301 deaths in unit D and 114 in unit B during the night of 3-4 October. The mortality rate for the animals affected was almost 100 percent. With the assistance of specialists from the central laboratories for the inspection of food and fodder and the diagnostic laboratories and from the "Pasteur" Institute for Veterinary Research and Biological Preparations, the disease was diagnosed as poisoning by cyanhydric acid of a vegetable nature, as a result of consumption of Sorghum Halepense (Johnson grass). This diagnosis was confirmed by laboratory tests." [Editorial Report] [Bucharest REVISTA DE CRESTEREA ANIMALELOR in Romanian Jun 83 pp 39-40]

CSO: 2700/292

STATUS, PROBLEMS OF PRIVATE ECONOMY

Belgrade BORBA in Serbo-Croatian 16-17 Jul 83 p 5

[Text] More and more often opinions are expressed about the unimagined employment potential in the private economy, but well informed persons say that, as matters now stand, such things are "feasible" only in studies.

The material possibility of our being able to attract at least some of the 12 billion dollars which our workers hold in foreign banks, through employment of returnees, has made the discussions of development of the private economy topical more so than any time in the past. There is hardly a meeting on this subject which does not end by finding that there are "great prospects for the private economy." However, at the same time there is the bitter undertone of missed opportunities.

Must we take as a model other, more highly developed countries where 40 to 50 percent of the labor force is employed in the private economy, while in our country only a few percent are so employed? In speaking about this recently, Kiro Gligorov stressed that we cannot fully emulate others, but that the private economy in our country must function as a strong factor in all sectors of the economy. "If in 10 years," stated Gligorov, "we approach the level of the more developed countries, and the private economy participates at least one-half as much as in these countries, this will create an entirely new situation and will greatly increase employment and our ability to compete."

Of course, Kiro Gligorov is understandably very cautious about the possibility of development of the private economy. On the other hand, many others appearing at highly responsible meetings are not as cautious, and in recent years we have had occasion to hear unrealistic statements about the prospects which the private economy could offer. Nowhere else, it seems, is there such a disparity between objective possibilities and wishes in sociopolitical collectives, which otherwise (what a paradox!) are very often the greatest obstacle to development of individual work in private organizations because of their bureaucratic attitude. We will deal with this question again later on. First let us take a look at the characteristics and situation of the private economy in Yugoslavia.

## Vague Definitions.

Thus far we have not had a precise definition of the private economy concept in this country. According to some people it is represented almost exclusively by coffee shops and small tradesmen's shops, while others, who view things more realistically, know that the public sector is also involved: in Slovenia public organizations are in the private economy if they employ up to 125 workers, while the limit is 200 employees in other republics and provinces. The statistics show that there are about 800,000 workers in the private economy. About 500,000 of them are employed in 2,605 organizations and collectives of the private economy, while another group of approximately 200,000 owners of various tradesmen's, commercial, transportation, and hotel-restaurant operations have nearly 100,000 employees. On the whole, about 300,000 people earn their living by private work.

Figures on the individual sector of the private economy show that the number of shop owners increased by 13.4 percent, and the number of workers employed by 39.3 percent, over the 1976-1981 period. In terms of percentage the highest growth was in the number of fruit and vegetable shops (there are now 1,290 of them), but this does not mean much, since there were previously very few of them. The number of hotel-restaurant operations has also increased, by 3,548 locations or 27 percent.

The ill-defined status of the private economy in the public sector is not reflected exclusively in the number of employees. A much thornier problem is that "private" labor organizations most often are "neither flesh nor fowl" when it comes to financial support and credit from banks. This situation is shown the most clearly by the example of the Pobeda carpentry shop in Novi Beograd (a small concern with about a hundred employees). "It is as if no one recognizes the existence of private labor organizations," says Milivoje Mrdjenovic, President of the DIS (Serbian Wood Industry) business association. The Pobeda, for example, cannot obtain credit for development, even though it could increase its number of employees by 50 percent. They are all facing giants. Somewhat the same thing was recently to be observed in Mrcajevice, in the small Dragan Jovanovic-Smit concern, at the foundry in Ljig, and at the Grafopromet in Cacak.

## To Get Rich, Don't Enrich Society

An example which cannot be ignored is that of Dobrivoje Rajic, who invested around 2 billion dinars in a minifactory in the village of Donje Komarice. Some of the money was for construction and some for machinery imported from Sweden, where it had been in use for 10 years. He had to obtain about 500 different approvals and licenses, so that he began operation only recently, after 2 years of toil and trouble. Miloslav Gandic invested 600 million old dinars in machinery and equipment for the production of toothpicks, but the community of Cacak assessed him taxes even before he began operation! Many such examples could be given, so we can readily understand Dobrivoje Rajic when he says, "they complain in Kragujevac that the community is not getting any richer, and yet a person has to go to so much trouble to get a license. It's downright stupid. I am well enough off that I don't have to work again

as long as I live, since I can live on the interest I earn. But I thought, and still think, that it is much more beneficial to society if I activate my capital and employ 20 people in the village. I am the only person running a risk, and yet I have come up against so many obstacles." An entrepreneur: When many people in the public sector hear this word, their hair stands on end. The bylaws of some labor organizations explicitly forbid cooperation with entrepreneurs, as if it were much cheaper and simpler to import small parts and pay for them in hard currency. Many discussions of the private economy end precisely with reference to the unimagined and unfortunately untapped potential of cooperation between large labor organizations and persons employed in the private sector. As a matter of fact, for the time being only Zastava in Kragujevac has set up programs which are to be turned over to contractual associated labor organizations, since it does not pay Zastava to start up operations of its own. In many other organizations, including the largest ones, it is specified that even the commonest small items are to be imported, out of fear of entrepreneurs and small contractual associated labor organizations.

The unimagined potential of the private economy was recently a subject of discussion at a conference held in Bled; figures were cited here which made many persons' heads swim. It was alleged that the private economy could employ 3.8 million people. Dr Nenad Mileusnic, professor at the Faculty of Organizational Sciences in Belgrade, stated among other things that the private economy is involved in almost all forms of work, from services to research. "Along with industry," says Dr Mileusnic, "society could organize the private economy in health care and social welfare, entertainment, culture, and education. In addition, it could solve the problem of unemployment in areas toward which society has not oriented capital formation in accordance with its needs. Research has shown that 80,000 physicians and stomatologists and around 120,000 intermediate level health personnel could be employed in this way in Yugoslavia, with the result that the necessary preventive health care would be provided for citizens and their families."

#### Exaggerated Optimism

At the conference in Bled no one raised objections vigorously to the optimistic and hardly feasible forecasts made by the professor from Belgrade. Moreover, similar if more moderate ideas have been expressed about development of the private economy as in Japan, for example. This has perhaps aroused concern of a different kind in others: what will our country do, since in the foreseeable future there will not be as much manpower as is boldly assumed by Dr Mileusnic. There have even been more or less cynical comments about importing labor. Assuming that we were to employ 900,000 currently unemployed people in this way, and that all our citizens currently working abroad were to come back home, there still would not be enough people, and we would have to turn to the solution of importing unemployed workers.

Overly optimistic predictions were made in the past, at least as far as the private economy is concerned, but figures of this magnitude were not cited, either because such possibilities were not investigated earlier or because there is now a much more favorable environment for such ideas. We looked for an answer at the Yugoslav Export and Credit Bank, which has recently

specialized to a great extent in providing financing for the private economy. "The private economy somehow seems to be a suitable topic in which we can push our own enthusiasm, often without any real basis for it," says Milan Milicevic, head of the private economy department of the Yugoslav Export and Credit Bank. "In the case you refer to, I must say that the figure given for potential employment in the private economy is absolutely unrealistic, regardless of the prestige of the conference and its participants. For example, about 2,000 persons were employed in Serbia last year. Things are very difficult in the majority of communities, and there is very wide misunderstanding."

However, the Yugoslav Export and Credit Bank intends to provide Yugoslavs temporarily working abroad with detailed information in the near future about the possibilities for investment in the private economy. In addition, it will provide the corresponding plans, so that potential returnees can learn even before returning to the country about projects in which they can invest the foreign currency which they have earned and about the equipment they have to import. Bogomir Apostolovic, the president of this Bank, is a man of experience. What does he say about the question of whether development of the private economy is proceeding as smoothly as predicted by individual experts?

"No, things are not going smoothly," says Bogomir Apostolovic, "they are moving forward at a snail's pace. The obstacles are represented above all by resistance in the communities, misunderstanding, and fear of private enrichment. But even if things were going smoothly, and they are not, the employment problem could not be solved through development of the private economy. I believe such predictions to be unrealistic, no matter who makes them. Just as the private economy supplements the public sector in production, it can only be a supplementary factor in achieving higher employment."

Perhaps one day our working man will indeed earn enough to pay for 80,000 new doctors. Perhaps our economy will also sooner or later be able to provide 3.8 million new jobs. But until this remote time in the future comes, persistently say the bankers with their expertise, it will be necessary to move ahead patiently and at a snail's pace. In many areas it is necessary to start with one privately run operation, one shop or contractual associated labor organizations. I am convinced that at the present time this major step is taken only in research studies, without sufficient specific commitment, which is so much more difficult than inspired optimism about the unimagined potential of the private economy.

6115

CSO: 2800/391

## DATA ON LOWER STANDARD OF LIVING FOR FAMILIES

Zagreb DANAS in Serbo-Croatian 26 Jul 83 p 38

[Article: "A Dim Picture of the Standard of Living; One Household in Five Knows Poverty, Shortage of Goods"]

[Text] The standard of living of Yugoslav citizens has recently been one of the most frequently mentioned areas of interest in economic matters in our country. Indeed, in a situation in which real personal incomes are declining, and living standards falling, the standard of living has become more and more a topic of special study over the last few years. The latest studies indicate that today only one household in four has 1000 dinars or more a day to meet all the needs of household members. They also note that as a rule the income in these households is earned by two or more members with a regular job. It is important to emphasize, however, that households live under a variety of conditions, and because of this it is almost impossible to state the average monthly income upon which a family is actually living using financial data alone.

To determine the living standard of a Yugoslav household, it is important to know what sort of living arrangements it has concerning the place of residence (does it own the apartment or it is subletting it), the number of personal incomes and other regular monthly receipts there are in the household (do one or more members of the household work), the number of children in the family, child-care expenses, the distance from the place of residence to the place of work, or to the school (do the family members live within the city limits, or do they have to travel from a distance), and various other facts, such as are the family members employed in an organization of associated labor with good benefits, are there alcoholics in the family, is the family furnished with any farm products from members of the larger family who live in the country, does the family own an automobile, etc.

Based on only these differences, we can classify household living conditions into almost 40 categories. Using stated average monthly household incomes, one can estimate that the average is approximately 20,000 dinars per household. Taking into consideration the differences noted above, this average is not really useful in delineating the standard of living, and in trying to define a minimum level of existence.



According to the results of these studies, at the end of last year Yugoslav households had spent approximately 8,000 dinars a month on average for food, approximately 2,000 dinars a month on average for housing expenses and basic household management expenses, about 1,500 dinars on average for beverages and tobacco, about 1,200 dinars on health and hygiene, about 1,000 dinars for education, culture, and leisure, about 5,000 dinars for clothing and for the purchase of durable consumer goods, and approximately 2,000 dinars on average for monthly installments on loans.

It is apparent that it is quite difficult to include all household expenses with the above data, using the most basic calculations, that it is necessary to do more in-depth analyses of the living situation of Yugoslav citizens. After all, although 20 percent of all households think that in general their monthly income is not enough to meet living expenses, and that another 46 percent say their income is adequate only to a certain extent, it is, nevertheless, apparent that they "are surviving," and we can feel free to ask how they are getting by and from where are they obtaining additional income.

Households by Level of Total Monthly  
Income (in percentages)

Structure of Household Income	SFRY Households	To 7500	7501 to 15000	15001 to 25000	25001 to 35000	Over 35000 dinar
2 or more income	43	2	11	54	78	85
1 income	38	21	62	36	20	10
Pensions	24	40	25	21	23	23
Child supplement	6	5	9	5	4	6
Scholarships	2	2	1	2	1	3
Defense supplement	1	5	1	1	0	1
Other	16	28	19	16	12	13

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DISCUSSION OF NEW PROPOSED TAX CHANGES

Zagreb DANAS in Serbo-Croatian 26 Jul 83 pp 5-8

[Article by Duro Zagorac: "New Tax Apportionments; Instead of Only Ten Thousand Taxpayers, There Will Soon Be a Million!"]

[Text] If one carefully reads the section on taxes and the existing tax system in the concluding part of the Long-Term Program for Economic Stabilization, one gets the impression that it is necessary, even urgent, to change everything, that without a change in direction there will be no recovery in the stricken economic mechanism. This section has four paragraphs, and this is the second one:

"The lack of an adequate connection between taxes and interests and motivations of those who pay them results in their improper functioning. The personal income tax and the excise tax, paid on each payment of personal income, or on each transaction which is carried out, are reliable and easily obtained revenue from the standpoint of the social and political communities, which do not obligate them to behave in a certain way economically, nor are they threatened by whether the organizations of associated labor in their territory are operating successfully or with losses, and they do not demand either economy, or a decrease in administrative or non-production expenses. And the excise tax on products is overused, without taking into account the fact that the tax is added onto the price of the product and that it may be inflationary. Greater reliance on the personal income tax would change the motivation of the organs of social and political communities, because when income is reduced, or when an organization of associated labor states losses in their operation, tax revenues are lost. With this changed set of circumstances, social and political communities would become interested in doing everything in their power to facilitate the successful operation of the organization from whose income they also are surviving, and especially to invest social resources rationally, or where they will bring about a suitable balance of labor."

These few lines point to the failure of the ten-year tax policy, and indicate that it has directly stimulated all forms of "obstruction" in the economy--the economically motivated desire of the social and political community to carry out investment and new employment in its own back-yard--that financing of capital and the work force has been absent, that programs have been sought which bring in the most revenue.

We include Table 1 to confirm clearly the position of the Commission that tax revenues have grown enormously, independently of the strength of the economy, that the mechanism in effect now enriches the government structures and weakens those of the economy.

#### All Taxes in Billions of Dinars

	1980	1981	1982
Basic Excise Tax	89,321	135,896	166,622
Special Excise Tax	17,502	23,714	30,431
Opstina Taxes	22,389	29,239	37,464
Taxes on Local Org. of Ass. Lab., work com.	24,353	30,573	24,102
Taxes on Personal Income	12,241	16,512	21,009
Taxes on Personal Income, (farmers, craftsmen, others)	6,230	7,817	10,360
Tax on Revenue and Property of Citizens	3,938	5,179	6,977
Total	175,684	248,930	306,965

In an analysis by the Federal Executive Council, in which the functioning of the existing tax system and tax policy is described, the ultimate effects do not seem to be so bad; is it because of the fact that an organ of the state composed and evaluated this analysis, or is it perhaps a case of the force of the existing tax system being concealed? Whatever the reason, the analysis states: "Revenues from taxes are stable and depend upon market movements which, as a rule, exclude in any way the anticipation of general consumption before the transaction itself is realized, and before the payment of the tax by the ultimate consumer."

And during a hearing in the Commission for Economic Stability itself, the opinion was expressed that imposing a tax on a transaction, through the ultimate consumer, has its good sides--the producer and the merchant are free of the obligation of guaranteeing the money in advance, and the system is rational and easily applied. However, in its final say on the subject, the Commission indicated that there is a "third dimension" of the current tax system--it guarantees the government a comfortable existence, and it furthers "obstruction."

#### Tax Inequality

Defined tax rates are an integral part of the current tax system. They make it possible for the appropriate social and political communities to carry out a flexible tax policy, to influence supply and demand trends in the

market with a tax in order to bring about certain development priorities. Approximately 32 percent of products in circulation are free of the basic tax, and quite high rates are applied to tobacco, naphtha derivatives, alcoholic beverages, and a small number of luxury items. Just by imposing taxes on cigarettes, benzine, and alcoholic beverages, 56 percent of the annual budget of the Federation is paid for, in which, as most people know, the largest expenditures are for the needs of the Yugoslav National Army, veteran's benefits, and increased development of the under-developed republics and the province of Kosovo. It turns out that those who smoke, consume alcohol, and drive cars are the "most courageous" in the state; the state obtains the greatest benefit from them, and they have the greatest "right" to the state.

The so-called extra taxes, those which are introduced by the republics, provinces, and opstinas, also have a great effect on the material state of the economy. As a rule, they should be made more uniform throughout the country, so that economic participants would be equal in a uniform Yugoslav market.

The differences in how local organizations of associated labor were taxed by individual republics and provinces last year ranged from .4 percent to 8.84 percent.

Republics and provinces have also introduced taxes on personal income. Here are the rates in percentages for this tax used in 1981:

Bosnia and Hercegovina	no tax
Montenegro	0.4
Croatia	0.20-0.50
Macedonia	1.80
Slovenia	1.00
Serbia (proper)	1.37
Kosovo	0.50
Vojvodina	2.00

Republics and provinces also have the right to impose taxes on foreign persons who are earning income and profits in our country, and the following rates were used in 1981:

Bosnia and Hercegovina	20
Montenegro	10
Croatia	35
Macedonia	14
Slovenia	35

Serbia (proper)	15
Kosovo	10
Vojvodina	10

It is quite normal for the tax rate to be different for each republic and province, but the total tax burden for all economic participants should ultimately be equal, in principle. If this is not the case, the participants will not be equal, and economic necessity will force them to close down and to seek protection outside of the market. Regarding our foreign taxpayers, we think there is no reason for the rates applied to them to be unequal. Competition between the various republics and provinces in this area seems extravagant to us.

The Commission seeks a new form of taxation. It wants to impose taxes on realized income, and to abandon the system of taxing products involved in transactions and personal income paid out. When will we go over to the new system?

The way things stand now, this is some time to come. It is believed that all budget beneficiaries in the country would block the dismantlement of the present system, and that the vital state organs would be in a state of chaos. It is no easy matter to take such a risk, so this question will be approached in stages, over a long period of time.

However, the appropriate state organs are prepared to implement very quickly, before the end of the year, the resolution of the Commission for Stabilization that the number of taxpaying citizens be increased. Tax collectors have even rushed out and composed the first version of a federal agreement for payment of the taxes on the income and property of citizens. This tax policy would be harsher than the existing one. The purpose is to collect more money from those who have it, but also to establish greater equality in the society.

#### A Tax Based on Revenue

In many ways, large amounts of money are turned over in agriculture, and there are no controls over these amounts. The tax liabilities of those who work the soil will be increased, in accordance with the increased revenue which is being realized on these properties, in connection with the recently prescribed rates. As things stand now, this form of tax will be increased four-fold. Those proposing the increase think that the owners of tillable farmland will be forced to use modern methods of cultivation, and to achieve first-rate production. Those who generally don't work the soil now, or those who work it only for their own use, will have to decide whether to farm the land themselves with better results, or whether to sell it, or turn it over to someone who wants to work the land and is capable of it.

To put it simply, it is desirable to solve the question of greater and more rational production by economic compulsion.

Tax equality should also mean including those employed in the small business sector, those who have undertaken work using resources which are owned by the private citizen. Last year's regulation attempt, which required everyone undertaking these activities to provide an accounting of products sold or services rendered, to record revenues precisely, provided definite results. The job was made easier for tax collectors with those who were obliged to operate a cash register, and much harder to oversee those for whom the tax obligation was determined on the basis of a devised average, using approximations. Until the revenues actually realized can be inspected, the tax will not be equitable for either the independent worker, or for the state. The development of small businesses is seen as having priority by the Commission for Economic Stability and in all other social plans and resolutions. We dare not have a tax policy which hinders small business development, but we also should not have one which is a source of enrichment and social differences which are not the result of work.

Until a closed system of recording is established, there will be no complete inspections of the revenues of taxpayers. In the closed system, the consumer must demand to receive an account, as he now gets from the social sector, as a normal occurrence. In order for the consumer to demand an account from the person in business for himself as well, he must get some personal benefit from this bill, i.e., that his tax bill will be reduced at the end of the year for this expense, and that without an account there can be no guarantee of the quality of the product or the service rendered. To paint a two-room apartment costs about 60,000 dinars. If the consumer would be freed of tax duties for this expenditure, then he would demand a bill. Thus, working without a license, "under the table," which threatens small business operators in a most serious way, and which evades every tax and social control, would certainly be reduced.

#### Millions of New Taxpayers

The tax liabilities for many employed persons will also be changed. The tax on a person's total annual income, the basis for taxation, will be lower than it is now. According to data which is still not complete, the tax on total income for last year was paid by only about ten thousand people in the whole country. Writers, lawyers, professors, actors, and a few football players make up the dominant share, while all others have no obligation before the tax agencies. The expectation is that this group will be increased, even at the risk that the income from this basis does not increase significantly. Thus, the tax collectors predict that everyone who works and brings in income will get into their "card-file," and that their liability will depend on income realized as well as other circumstances, such as how many members of the family are being supported. Instead of the ten thousand taxpayers now, one can soon expect a million of them!

The sale of real estate will no longer be as profitable as it once was, especially not for those who sell lots, land for the weekend cottage, and other structures. If a road passes through a certain area, and if that lot immediately receives a new price, then the profit from the road, which was

constructed with community resources, will not go into the pockets of the owner, but for the most part will go into the opstina treasury. So think the tax collectors, but how will it be in practice?

It was once believed that no one should pay any sort of tax in a socialistic state. Contrary to this belief, it is now apparent that we must strengthen the tax service if we want it to perform tasks, which real life circumstances impose upon it, more successfully. The number of tax collectors must be increased, but those who are creating a new tax policy must also keep in mind a most important reality--any tax policy which is not stimulative, which does not incite people to work and earn more, which does not promote progress, will not get us out of the economic circumstances in which we find ourselves. We dare not allow ourselves to "glorify" the idlers, and to let the most industrious and most capable suffer.

Equity which has been created by work and economy cannot be put on an equal basis with wealth which has been acquired through various abuses, by someone else's labor, or by crime. All these traps must be taken into account; to do otherwise will do more harm than good.

#### Withdrawal of Money

It is certain that for now a much stricter course of action will be taken regarding citizens, their earnings and real estate--up till the end of this year. Along with the federal agreement concerning the equalization of tax liabilities for both local organizations of labor and private citizens, which will insure even greater revenues, a new agreement is being prepared on supplemental taxation.

This agreement, which concerns a new form of taxation, has provoked a great deal of interest on the part of the public--some are upset by it, but many don't seem to mind it. Finally, they say, they will go "from words to deeds." The weekend cottage, the vacation house, will be taxed, and the owners of yachts, other boats, automobiles, and trucks will share the same fate. The first announcements of the tax have disturbed owners of the above types of real estate, there have been some frightening numbers mentioned, and the possibility of a mass "surrendering" of these types of possessions--from house to boats--to the government, has been predicted. When details from the agreement, which specialized agencies are in the process of preparing, have been made public, many have breathed a sigh of relief and comments have been heard that these taxes may not be so bad after all.

#### What Is a Weekend Cottage

Still unclear, for the most part, is the status of vacation houses and weekend cottages. Much of this still has to be figured out, more exact standards must be set up in order to define a house used for recreation, a residence used for enjoyment. Without more precise definitions and social orientations, a realistic and equitable tax policy cannot be carried out. Based on this supplemental tax, the number of taxpayers in the country will

be increased by the greatest amount. And what is the primary motive for introducing this tax?

It is estimated that we now have greater demand than supply, that there is more money in circulation than there are goods in the market. If supply trails demand by 3 to 5 percent, as some analysts maintain, then it is apparent that the oversupply of money pushes up inflation, that demand is increased. An evaluation by the Federal Executive Council says that the surplus must be annulled by the use of a special tax process. Using this mechanism, approximately 25 billion dinars would be withdrawn from circulation. These funds would be frozen in a special account at the National Bank, and would remain there for 5 years, at which time it would be withdrawn and returned to the social and political communities from the areas from which it was taken. If we know the level of inflation, then it is apparent that this money would be consumed without being thrown on the fire.

#### Where Is the Surplus?

Last year, according to all tax bases, taxpayers paid approximately 17 billion dinars for taxes. The tax liability will be about the same for this year (it will be somewhat higher). How will this additional 25 billion dinars be set aside, and where will it come from--do our citizens really have this big a surplus?

Tax collectors confirm that the money will be found, a little by force, a little by charm. The calculations now look something like this: there are approximately 2 1/2 million passenger cars in the country, and if each vehicle is taxed an average of 2000 dinars, approximately 5 billion dinars will be raised. There are also a large number of vacation homes which can be taxed, and as much money can be raised here as from automobiles. There will also be some money from other sources, from boats, supplemental labor, but obviously not enough to pull in the projected amount of surplus money from circulation. The possibility has not been excluded that part of the basic tax on transactions will be frozen because of this, but informed guesses indicate that this amount might be made up on cigarette transactions, the price of which, they say, is still low.

#### Savings Accounts and Taxes

There are quite a few people who ask: why not also tax profits on the basis of savings, in both dinar and foreign currency accounts. They especially refer to earnings which seem to fall from the sky, that is, those which are acquired by the changed rate of exchange for the dinar. However, the taxation of profits on the basis of savings accounts is a complex economic and social question. We discussed this with Professor Vojo Rakic, president of the Constitutional Court of Yugoslavia, and the director of a study group dealing with the tax system as a part of the Commission for Economic Stabilization. Rakic told us that there had been talk of this, but that the unanimous position had been reached that these gains should not be taxed for two reasons: one, interest on savings accounts still



cannot be considered real in our country, and cannot be spoken of as profits and earnings; two, money which is kept in savings has a completely different social and economic function than that which is invested in goods for personal use.

#### Divorce

We know that the typical man in the street does not think that it is any sin, in principle, to "cheat the government." The avoidance of tax liabilities has been tolerated for years. Recently a man was sentenced to 5 years in prison by a lower court for tax evasion. The news was a public sensation, although it should be accepted as normal. Tax collectors in the transitional period this year also made an announcement about a football player. The demand arrived from Skoplje saying that the player Bankovic should not be allowed to register for the "Red Star" because he had not settled his tax obligations in Skoplje. The demand was strange for two reasons: why was it sent for tax liabilities which had not been satisfied two years earlier, and why were the usual legal authorities not used for this purpose, why was the sports organization and the game of football involved in this?

The relationship of citizens to taxes and tax obligations is certainly going to change, and change fast. As our people are extraordinarily skillful at finding loopholes in laws, this will certainly be the case when they are concerned with taxes. There are more requests for divorce this summer, they say, than is usually the case. What is being concealed here? It is not a matter of some new intolerance of marriage but it is to avoid certain tax liabilities, and still more not to be affected by the social activity--"you have the house, give back the apartment."

It is necessary to deal with evading the law, but tax collectors will no longer be what they once were. The extra tax should only be in effect for a certain period of time, until equilibrium in supply and demand is established. How long it will last is hard to estimate for now. In the more direct battle for subduing inflation and claming the markets, will enter this time an enormous army of private citizens. This is certainly unavoidable, but once more we warn: taxes cannot de-stimulate labor and creativity, nor provoke the already dangerous "leveling" in distribution.

#### The Record Holders

The greatest tax paid on the Yugoslav market is for the purchase of playing cards, and comes to 764 percent of the producer's cost. However, the treasuries of the social and political communities, and budget beneficiaries will not get a great deal out of this tax. Significantly greater revenues are obtained from imported alcoholic beverages, on which the tax is 200 percent, certain cosmetic products, with a tax of 90 percent, certain carpets--126 percent--and lighters, with a tax of 100 percent.

Approximately 32 percent of the products exchanged on the Yugoslav market are free of the excise tax. These include food products, products for children, and many others.

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